



# GBP/EUR

Weekly FX Report

## Fundamental Analysis

### Recent developments

Sterling and the euro are being impacted by a 'terms of trade' concern, driven by higher energy costs owing to the Iran conflict. The removal of UK rate cut expectations from the BoE enabled sterling to trade higher versus the euro, but this now looks priced in and the balance of probabilities lies, in our view, with some near-term consolidation and a slight downside bias. The BoE and ECB meetings this week will not adjust interest rates, and of course central bankers will be quizzed on all things inflation/growth considering the muddied waters of the Iran conflict.



**'Hard to see a context in which sterling can outperform the euro'**

The government's fiscal position is a source of concern for sterling – rising Gilt yields are costly of course. Costs around offering support to consumers to soften rising energy prices will not help sterling either. Overseas investors may shy away from Gilt purchases, and an inflationary shock to the economy may result in 'demand destruction' in the economy, especially if wages do not rise at the same rate as inflation! Further, if the Middle East de-escalates, markets will be quick to assume rate cuts are back on the table. All in all, we see GBP gains versus euro as challenging in this fundamental context.

### **Euro conflicted by hawkish rate outlook, but harmful terms of trade impact**

Markets had already assumed no ECB rate cuts in 2026. Recent events have prompted markets to assume at least one hike by mid summer. This is a supportive driver for the euro, but 'terms of trade' impacts are harmful, and questions will be raised by the market as to how well the economic zone can handle rate rises in a stagflationary context. The positive growth outlook for the eurozone in 2026 has been a key long-term drive of positive sentiment which underpinned the euro throughout Q1. This may now be slightly questioned by the market. As discussed, we do see an environment where the euro can make medium term gains versus sterling in this current macro backdrop.

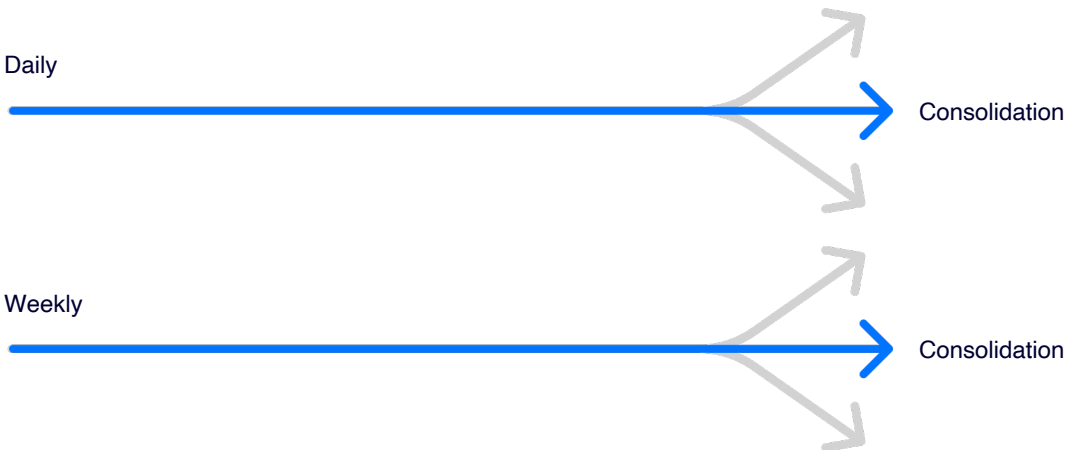
# GBP/EUR Daily Chart

IFX Payments created with TradingView.com, Mar 16, 2026 11:39 UTC



TradingView

## Market Condition



## Technical Analysis

Price action has tested and failed at the 1.1606 level and our baseline assumption lies with a softer tone to market action towards the 1.15 area. A breakdown through 1.1534 could facilitate a test of 1.1465 but this could take several weeks. A break above 1.1606 would need to hold for three days to render this view obsolete in which case a move to 1.1667 would be the first technical expectation.

### Upside

1.1564

—  
The first upside resistance above spot price action.

1.1606

—  
Resistance possible here as seen in February & last week.

1.1667

—  
A further explosive move could test this upside level.

### Downside

1.1534

—  
Light technical support expected here.

1.1465

—  
This level would be the target should the euro partially recover.

1.1422

—  
Support level tested if euro stages larger recovery.

# Looking Ahead

A look ahead to the key scheduled data releases for the week

## EUR

<b>16</b> Monday	<b>17</b> Tue PM: Nagel speaks	<b>18</b> Wed	<b>19</b> Thu PM: ECB meeting	<b>20</b> Fri
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## GBP

<b>16</b> Monday	<b>17</b> Tue	<b>18</b> Wed	<b>19</b> Thu AM: Claimant count change PM: Bank of England meeting	<b>20</b> Fri
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